

NEW LONDON COMMUNITY SCHOOL DISTRICT  
NEW LONDON, IOWA

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2007

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# NEW LONDON COMMUNITY SCHOOL DISTRICT

## OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2006 Election)		
Laurie Hempen	President	2007
Bob McPheron	Vice President	2006
Kelly Kadel	Board Member	2006
Virginia Ekstrand	Board Member	2007
Joel Protsman	Board Member	2008
<u>Board of Education</u>		
(After September 2006 Election)		
Laurie Hempen	President	2007
Bob McPheron	Vice President	2009
Kelly Kadel	Board Member	2009
Virginia Ekstrand	Board Member	2007
Joel Protsman	Board Member	2008
<u>School Officials</u>		
Charles Reighard	Superintendent	2007
Nancy Blow	District Secretary/Treasurer	2007
Richard J. Gaumer	Attorney	Indefinite

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
New London Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of New London Community School District, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of New London Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 10, 2007 on our consideration of New London Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 36 through 37 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The District has not presented Management's Discussion and Analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise New London Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
December 10, 2007

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## Basic Financial Statements

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2007

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 986,005	\$ 44,212	\$ 1,030,217
Receivables:			
Property tax:			
Current year	23,247	-	23,247
Succeeding year	1,027,000	-	1,027,000
Income surtax	184,212	-	184,212
Accounts	3,386	25	3,411
Due from other governments	173,414	500	173,914
Inventories	-	651	651
Restricted ISCAP assets (note 3):			
Investments	1,352,859	-	1,352,859
Accrued interest receivable	6,136	-	6,136
Capital assets, net of accumulated depreciation (note 4)	1,674,883	13,706	1,688,589
Total assets	5,431,142	59,094	5,490,236
Liabilities			
Accounts payable	81,519	-	81,519
Salaries and benefits payable	398,089	6,082	404,171
ISCAP warrants payable (note 3)	1,355,000	-	1,355,000
ISCAP accrued interest payable (note 3)	333	-	333
ISCAP unamortized premium (note 3)	10,054	-	10,054
Deferred revenue:			
Succeeding year property tax	1,027,000	-	1,027,000
Long-term liabilities (note 5):			
Portion due within one year:			
Compensated absences	5,747	-	5,747
Total liabilities	2,877,742	6,082	2,883,824

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2007

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets	\$ 1,674,883	\$ 13,706	\$ 1,688,589
Restricted for:			
Management levy	63,328	-	63,328
Public education and recreation levy	41,936	-	41,936
Physical plant and equipment levy	86,168	-	86,168
Other special revenue purposes	80,291	-	80,291
Capital projects	383,869	-	383,869
State grants	13,144	-	13,144
Unrestricted	209,781	39,306	249,087
Total net assets	\$ 2,553,400	\$ 53,012	\$ 2,606,412

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 3,396,274	\$ 368,647	\$ 470,106	\$ -
Support services:				
Student services	101,376	-	-	-
Instructional staff services	106,939	-	-	-
Administration services	516,801	-	-	-
Operation and maintenance of plant services	351,202	185	-	11,840
Transportation services	219,783	24,819	-	-
	<u>1,296,101</u>	<u>25,004</u>	<u>-</u>	<u>11,840</u>
Other expenditures:				
Facilities acquisition	3,571	-	-	19,614
AEA flowthrough	168,638	-	168,638	-
Depreciation (unallocated) *	52,631	-	-	-
	<u>224,840</u>	<u>-</u>	<u>168,638</u>	<u>19,614</u>
Total governmental activities	<u>4,917,215</u>	<u>393,651</u>	<u>638,744</u>	<u>31,454</u>
Business-Type Activities:				
Non-instructional programs:				
Food service operations	<u>156,078</u>	<u>94,171</u>	<u>87,288</u>	<u>-</u>
Total	\$ <u>5,073,293</u>	\$ <u>487,822</u>	\$ <u>726,032</u>	\$ <u>31,454</u>

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (2,557,521)	\$ -	\$ (2,557,521)
(101,376)	-	(101,376)
(106,939)	-	(106,939)
(516,801)	-	(516,801)
(339,177)	-	(339,177)
(194,964)	-	(194,964)
(1,259,257)	-	(1,259,257)
16,043	-	16,043
-	-	-
(52,631)	-	(52,631)
(36,588)	-	(36,588)
(3,853,366)	-	(3,853,366)
-	25,381	25,381
(3,853,366)	25,381	(3,827,985)

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2007

Functions/Programs

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General Revenues:

Property tax levied for:

General purposes

Public education and recreation

Capital outlay

Income surtax

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

\* = This amount excludes the depreciation included  
in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ 1,133,452	\$ -	\$ 1,133,452
10,222	-	10,222
41,200	-	41,200
210,855	-	210,855
286,395	-	286,395
2,343,019	-	2,343,019
66,914	46	66,960
20,023	-	20,023
4,112,080	46	4,112,126
258,714	25,427	284,141
2,294,686	27,585	2,322,271
<u>\$ 2,553,400</u>	<u>\$ 53,012</u>	<u>\$ 2,606,412</u>

## NEW LONDON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2007

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and pooled investments	\$ 335,972	\$ 386,417	\$ 206,808	\$ 929,197
Receivables:				
Property tax:				
Current year	20,668	-	2,579	23,247
Succeeding year	928,000	-	99,000	1,027,000
Income surtax	143,276	-	40,936	184,212
Accounts	260	-	3,126	3,386
Due from other governments	97,217	56,583	19,614	173,414
Restricted ISCAP assets (note 3):				
Investments	1,352,859	-	-	1,352,859
Accrued interest receivable	6,136	-	-	6,136
	<u>2,884,388</u>	<u>443,000</u>	<u>372,063</u>	<u>3,699,451</u>
<b>Total assets</b>	<b>\$ 2,884,388</b>	<b>\$ 443,000</b>	<b>\$ 372,063</b>	<b>\$ 3,699,451</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 21,048	\$ 59,131	\$ 1,340	\$ 81,519
Salaries and benefits payable	398,089	-	-	398,089
ISCAP warrants payable (note 3)	1,355,000	-	-	1,355,000
ISCAP accrued interest payable (note 3)	333	-	-	333
ISCAP unamortized premium (note 3)	10,054	-	-	10,054
Deferred revenue:				
Succeeding year property tax	928,000	-	99,000	1,027,000
Other	143,276	-	60,550	203,826
<b>Total liabilities</b>	<u>2,855,800</u>	<u>59,131</u>	<u>160,890</u>	<u>3,075,821</u>
<b>Fund balance:</b>				
Reserved for:				
State grants	13,144	-	-	13,144
Unreserved:				
Reported in nonmajor Special Revenue Funds	-	-	211,173	211,173
Undesignated	15,444	383,869	-	399,313
<b>Total fund balances</b>	<u>28,588</u>	<u>383,869</u>	<u>211,173</u>	<u>623,630</u>
<b>Total liabilities and fund balances</b>	<b>\$ 2,884,388</b>	<b>\$ 443,000</b>	<b>\$ 372,063</b>	<b>\$ 3,699,451</b>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 June 30, 2007

Total fund balances of governmental funds	\$ 623,630
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,674,883
Other long-term assets, including income surtax receivables, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	203,826
The Internal Service Fund is used to charge the costs of the District's Section 125 benefits plan to the governmental funds. The net assets of the Internal Service Fund are therefore included in governmental activities.	56,808
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(5,747)</u>
Net assets of governmental activities	<u>\$ 2,553,400</u>

See notes to financial statements.

## NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2007

	General	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 1,196,924	\$ 286,395	\$ 172,761	\$ 1,656,080
Tuition	170,869	-	-	170,869
Other	157,749	6,531	167,051	331,331
State sources	2,751,262	-	-	2,751,262
Federal sources	220,729	-	-	220,729
Total revenues	<u>4,497,533</u>	<u>292,926</u>	<u>339,812</u>	<u>5,130,271</u>
Expenditures:				
Current:				
Instruction	<u>3,252,896</u>	-	135,794	<u>3,388,690</u>
Support services:				
Student services	101,376	-	-	101,376
Instructional staff services	110,957	-	-	110,957
Administration services	476,919	-	36,101	513,020
Operation and maintenance of plant services	338,475	-	80,585	419,060
Transportation services	211,153	-	5,137	216,290
	<u>1,238,880</u>	-	121,823	<u>1,360,703</u>
Other expenditures:				
Facilities acquisition	-	312,997	148,347	461,344
AEA flowthrough	168,638	-	-	168,638
	<u>168,638</u>	<u>312,997</u>	<u>148,347</u>	<u>629,982</u>
Total expenditures	<u>4,660,414</u>	<u>312,997</u>	<u>405,964</u>	<u>5,379,375</u>
Deficiency of revenues under expenditures	(162,881)	(20,071)	(66,152)	(249,104)
Fund balances beginning of year	<u>191,469</u>	<u>403,940</u>	<u>277,325</u>	<u>872,734</u>
Fund balances end of year	<u>\$ 28,588</u>	<u>\$ 383,869</u>	<u>\$ 211,173</u>	<u>\$ 623,630</u>

See notes to financial statements.

## NEW LONDON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2007

Net change in fund balances - total governmental funds \$ (249,104)

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 579,681	
Depreciation expense	<u>(112,564)</u>	467,117

Income surtax and other revenues not received until several months after the District's fiscal year ends are not considered available revenues in the governmental funds and are deferred. They are, however, recorded as revenues in the Statement of Activities. 45,658

The change in net assets of the Internal Service fund represents an undercharge to the governmental funds served. The expenses for governmental activities in the Statement of Activities are adjusted to reflect this amount. (6,154)

Some expenses reported in the Statement of Activities, including compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 1,197

Change in net assets of governmental activities \$ 258,714

See notes to financial statements.

## NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 June 30, 2007

	Enterprise - School Nutrition	Internal Service - Section 125 Benefits
Assets		
Cash and cash equivalents	\$ 44,212	\$ 56,808
Accounts receivable	25	-
Due from other governments	500	-
Inventories	651	-
Capital assets, net of accumulated depreciation	13,706	-
Total assets	<u>59,094</u>	<u>56,808</u>
Liabilities		
Salaries and benefits payable	<u>6,082</u>	<u>-</u>
Net Assets		
Invested in capital assets	13,706	-
Unrestricted	<u>39,306</u>	<u>56,808</u>
Total net assets	<u>\$ 53,012</u>	<u>\$ 56,808</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2007

	Enterprise - School Nutrition	Internal Service - Section 125 Benefits
Operating revenues:		
Local sources:		
Charges for services	\$ 93,671	\$ 473,591
Operating expenses:		
Non-instructional programs:		
Non-instructional operations:		
Salaries	45,306	-
Benefits	5,785	-
Purchased services	102,667	-
Depreciation	2,260	-
Other	60	479,745
	<u>156,078</u>	<u>479,745</u>
Operating loss	<u>(62,407)</u>	<u>(6,154)</u>
Non-operating revenues:		
Interest on investments	46	-
State sources	2,388	-
Federal sources	85,400	-
Total non-operating revenues	<u>87,834</u>	<u>-</u>
Change in net assets	25,427	(6,154)
Net assets beginning of year	<u>27,585</u>	<u>62,962</u>
Net assets end of year	<u><u>\$ 53,012</u></u>	<u><u>\$ 56,808</u></u>

See notes to financial statements.

## NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2007

	Enterprise - School Nutrition	Internal Service - Section 125 Benefits
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 92,448	\$ -
Cash received from miscellaneous operating activities	1,198	473,591
Cash payments to employees for services	(51,188)	-
Cash payments to suppliers for goods or services	(93,188)	(479,745)
Net cash used by operating activities	<u>(50,730)</u>	<u>(6,154)</u>
Cash flows from non-capital financing activities:		
State grants received	2,388	-
Federal grants received	76,758	-
Net cash provided by non-capital financing activities	<u>79,146</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>46</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	28,462	(6,154)
Cash and cash equivalents beginning of year	<u>15,750</u>	<u>62,962</u>
Cash and cash equivalents end of year	<u>\$ 44,212</u>	<u>\$ 56,808</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (62,407)	\$ (6,154)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	2,260	-
Commodities used	8,759	-
(Increase) in accounts receivable	(25)	-
Decrease in inventories	780	-
(Decrease) in salaries and benefits payable	<u>(97)</u>	<u>-</u>
Net cash used by operating activities	<u>\$ (50,730)</u>	<u>\$ (6,154)</u>

## Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received \$8,759 of federal commodities.

See notes to financial statements.

## NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 June 30, 2007

	Private Purpose Trust	Scholarship
Assets:		
Cash and pooled investments	\$ 43,913	
Accrued interest receivable	<u>111</u>	
Total assets		<u>44,024</u>
Liabilities:		
None		<u>-</u>
Net assets:		
Reserved for scholarships	\$	<u><u>44,024</u></u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
Year Ended June 30, 2007

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 100	
Interest	<u>1,543</u>	
Total additions	<u>1,643</u>	
Deductions:		
Support services:		
Supplies		<u>5,439</u>
Change in net assets		(3,796)
Net assets beginning of year		<u>47,820</u>
Net assets end of year	\$	<u><u>44,024</u></u>
See notes to financial statements.		

## NEW LONDON COMMUNITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2007

#### Note 1. Summary of Significant Accounting Policies

New London Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of New London, Iowa, and agricultural territory in Henry and Des Moines Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, New London Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. New London Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Henry County Assessor's Conference Board.

##### B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following proprietary funds:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The Internal Service, Section 125 Benefits Fund is used to account for the Section 125 benefits program offered by the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

Income Surtax Receivable – Income surtax budgeted for the fiscal year ended June 30, 2007 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	1,000
Improvements other than buildings	25,000
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets – In the District-wide Statement of Net Assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures in the instruction and support services functions exceeded the amounts budgeted.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 2. Cash and Pooled Investments (continued)

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u>869,825</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

Note 3. Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. These accounts are reflected as restricted assets on the balance sheet. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>	<u>Unamortized Premium</u>
2006-07A	6/28/2006	6/28/2007	\$ -	\$ 5,731	\$ -	\$ -	-
2007-08A	6/27/2007	6/27/2008	1,352,859	405	1,355,000	333	10,054
Total			<u>\$ 1,352,859</u>	<u>\$ 6,136</u>	<u>\$ 1,355,000</u>	<u>\$ 333</u>	<u>\$ 10,054</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2007.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 3. Iowa Schools Cash Anticipation Program (ISCAP) (continued)

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2006-07A	4.50%	5.676%
2007-08A	4.50%	5.455%

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 47,701	\$ -	\$ -	\$ 47,701
Construction in progress	178,013	328,163	-	506,176
Total capital assets not being depreciated	<u>225,714</u>	<u>328,163</u>	<u>-</u>	<u>553,877</u>
Capital assets being depreciated:				
Buildings	2,142,028	129,610	-	2,271,638
Improvements other than buildings	224,967	-	18,850	206,117
Furniture and equipment	862,309	121,908	23,174	961,043
Total capital assets being depreciated	<u>3,229,304</u>	<u>251,518</u>	<u>42,024</u>	<u>3,438,798</u>
Less accumulated depreciation for:				
Buildings	1,446,209	36,557	-	1,482,766
Improvements other than buildings	194,558	1,714	18,850	177,422
Furniture and equipment	606,485	74,293	23,174	657,604
Total accumulated depreciation	<u>2,247,252</u>	<u>112,564</u>	<u>42,024</u>	<u>2,317,792</u>
Total capital assets being depreciated, net	<u>982,052</u>	<u>138,954</u>	<u>-</u>	<u>1,121,006</u>
Governmental activities capital assets, net	<u>\$ 1,207,766</u>	<u>\$ 467,117</u>	<u>\$ -</u>	<u>\$ 1,674,883</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 4. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 97,350	\$ -	\$ -	\$ 97,350
Less accumulated depreciation	81,384	2,260	-	83,644
Business-type activities capital assets, net	<u>\$ 15,966</u>	<u>\$ (2,260)</u>	<u>\$ -</u>	<u>\$ 13,706</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:	
Instruction	\$ 22,713
Support services:	
Instructional staff	1,004
Administration	4,370
Operation and maintenance of plant services	4,024
Transportation	27,822
	<u>59,933</u>
Unallocated depreciation	<u>52,631</u>
Total governmental activities depreciation expense	<u>\$ 112,564</u>
Business-type activities:	
Food service operations	<u>\$ 2,260</u>

# NEW LONDON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2007

### Note 5. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	<u>Compensated Absences</u>
Balance beginning of year	\$ 6,944
Additions	5,747
Reductions	<u>6,944</u>
Balance end of year	<u>\$ 5,747</u>
Due within one year	<u>\$ 5,747</u>

### Note 6. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006, and 2005. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$156,907, \$155,896, and \$143,400, respectively, equal to the required contributions for each year.

### Note 7. Risk Management

New London Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 8. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$168,638 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 9. Construction Commitments

The District entered into various contracts totaling \$547,199 for various building improvements. As of June 30, 2007, costs of \$445,971 had been incurred against the contracts. The balance of \$101,228 remaining at June 30, 2007 will be paid as work on the projects progresses.

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## Required Supplementary Information

NEW LONDON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances –  
Budget and Actual – All Governmental Funds  
and Proprietary Fund  
Required Supplementary Information  
Year Ended June 30, 2007

	Governmental Funds - Actual	Proprietary Fund - Enterprise - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 2,158,280	\$ 93,717	\$ 2,251,997	\$ 2,193,830	\$ 58,167
State sources	2,751,262	2,388	2,753,650	2,634,703	118,947
Federal sources	220,729	85,400	306,129	201,000	105,129
Total revenues	5,130,271	181,505	5,311,776	5,029,533	282,243
EXPENDITURES:					
Instruction	3,388,690	-	3,388,690	3,291,500	(97,190)
Support services	1,360,703	-	1,360,703	1,265,776	(94,927)
Non-instructional programs	-	156,078	156,078	171,566	15,488
Other expenditures	629,982	-	629,982	788,807	158,825
Total expenditures	5,379,375	156,078	5,535,453	5,517,649	(17,804)
Excess (deficiency) of revenues over (under) expenditures	(249,104)	25,427	(223,677)	(488,116)	264,439
Balance beginning of year	872,734	27,585	900,319	680,062	220,257
Balance end of year	\$ <u>623,630</u>	\$ <u>53,012</u>	\$ <u>676,642</u>	\$ <u>191,946</u>	\$ <u>484,696</u>

See accompanying independent auditor's report.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service and private-purpose trust funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2007, expenditures in the instruction and support services functions exceeded the amounts budgeted.

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## Other Supplementary Information

## NEW LONDON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2007

	Special Revenue				
	Management Levy	Student Activity	Public Education and Recreation Levy	Physical Plant and Equipment Levy	Total
Assets					
Cash and pooled investments	\$ 58,624	\$ 81,631	\$ 41,735	\$ 24,818	\$ 206,808
Receivables:					
Property tax:					
Current year	1,578	-	201	800	2,579
Succeeding year	60,000	-	9,000	30,000	99,000
Income surtax	-	-	-	40,936	40,936
Accounts	3,126	-	-	-	3,126
Due from other governments	-	-	-	19,614	19,614
Total assets	\$ <u>123,328</u>	\$ <u>81,631</u>	\$ <u>50,936</u>	\$ <u>116,168</u>	\$ <u>372,063</u>
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ -	\$ 1,340	\$ -	\$ -	\$ 1,340
Deferred revenue:					
Succeeding year property tax	60,000	-	9,000	30,000	99,000
Other	-	-	-	60,550	60,550
Total liabilities	<u>60,000</u>	<u>1,340</u>	<u>9,000</u>	<u>90,550</u>	<u>160,890</u>
Fund equity:					
Fund balances:					
Unreserved:					
Undesignated	<u>63,328</u>	<u>80,291</u>	<u>41,936</u>	<u>25,618</u>	<u>211,173</u>
Total liabilities and fund equity	\$ <u>123,328</u>	\$ <u>81,631</u>	\$ <u>50,936</u>	\$ <u>116,168</u>	\$ <u>372,063</u>

See accompanying independent auditor's report.

NEW LONDON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2007

	Special Revenue				Total
	Management Levy	Student Activity	Public Education and Recreation Levy	Physical Plant and Equipment Levy	
Revenues:					
Local sources:					
Local tax	\$ 80,377	\$ -	\$ 10,222	\$ 82,162	\$ 172,761
Other	11,025	143,574	12,313	139	167,051
Total revenues	<u>91,402</u>	<u>143,574</u>	<u>22,535</u>	<u>82,301</u>	<u>339,812</u>
Expenditures:					
Current:					
Instruction	-	135,794	-	-	135,794
Support services:					
Administration services	36,101	-	-	-	36,101
Operation and maintenance of plant services	23,581	-	57,004	-	80,585
Transportation services	5,137	-	-	-	5,137
Other expenditures:					
Facilities acquisition	-	-	-	148,347	148,347
Total expenditures	<u>64,819</u>	<u>135,794</u>	<u>57,004</u>	<u>148,347</u>	<u>405,964</u>
Excess (deficiency) of revenues over (under) expenditures	26,583	7,780	(34,469)	(66,046)	(66,152)
Fund balances beginning of year	<u>36,745</u>	<u>72,511</u>	<u>76,405</u>	<u>91,664</u>	<u>277,325</u>
Fund balances end of year	<u>\$ 63,328</u>	<u>\$ 80,291</u>	<u>\$ 41,936</u>	<u>\$ 25,618</u>	<u>\$ 211,173</u>

See accompanying independent auditor's report.

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 3,130	\$ 50,884	\$ 49,135	\$ 4,879
Art Club	-	2,801	2,683	118
Class of:				
2006	685	-	685	-
2007	780	663	1,256	187
2008	688	7,944	6,904	1,728
2009	609	180	-	789
2010	442	205	-	647
2012	217	106	-	323
2013	-	4	-	4
Masqued Tigers	2,881	840	966	2,755
Future Homemakers of America	315	-	-	315
Foreign Language Club	82	-	-	82
Instrumental Music	273	1,792	1,611	454
Student Council	4,467	9,740	7,657	6,550
Elementary Student Advisory Council	7,370	4,097	3,648	7,819
Yearbook	8,182	7,528	7,472	8,238
Middle School Enrichment	1,368	-	-	1,368
Middle School Student Council	1,517	10,184	9,136	2,565
Middle School Cheerleaders	239	-	-	239
High School Cheerleaders	1,125	1,366	1,110	1,381
Music and Drama	4,569	5,423	7,329	2,663
Vocal Music:				
High School	103	-	-	103
Middle School	62	-	-	62
New London Tigerettes	3,874	973	1,023	3,824
Interest on Investments	3,974	1,982	1,175	4,781
Boys Basketball	1,139	4,786	2,852	3,073
Sixth Grade Projects	3,285	2,147	1,838	3,594
Tiger Tales Book Store	-	1,531	1,395	136
Playground	1,034	716	980	770
Middle School Volleyball	465	-	60	405
Tiger Football	1,338	2,234	2,956	616
Tiger Wrestling	347	2,729	2,243	833
Tiger Girls Basketball	7,050	6,917	6,923	7,044
Burkhart Girls Basketball	971	-	-	971
Tiger Volleyball	1,196	7,004	6,486	1,714
Tiger Softball	3,282	3,272	3,391	3,163
Tiger Baseball	509	5,309	4,335	1,483
Boys Baseball	1,116	345	515	946
Boys Track	806	341	373	774

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
SADD Club	\$ 250	\$ -	\$ 23	\$ 227
Dragon Boat	159	-	-	159
Entrepreneurship Club	152	-	-	152
High School Boys Golf	1,356	126	108	1,374
Middle School Softball	343	369	273	439
High School Girls Golf	761	501	718	544
Intrafund transfers	-	(1,465)	(1,465)	-
Total	\$ 72,511	\$ 143,574	\$ 135,794	\$ 80,291

See accompanying independent auditor's report.

NEW LONDON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 1,656,080	\$ 1,591,318	\$ 1,327,471	\$ 1,284,568
Tuition	170,869	192,869	197,809	189,267
Other	331,331	306,179	201,871	316,887
Intermediate sources	-	-	-	1,000
State sources	2,751,262	2,712,146	2,369,276	2,434,920
Federal sources	220,729	124,892	194,018	148,240
Total revenues	<u>\$ 5,130,271</u>	<u>\$ 4,927,404</u>	<u>\$ 4,290,445</u>	<u>\$ 4,374,882</u>
Expenditures:				
Instruction	\$ 3,388,690	\$ 3,298,584	\$ 3,139,664	\$ 2,992,126
Support services:				
Student services	101,376	97,041	85,562	179,391
Instructional staff services	110,957	72,122	173,748	28,422
Administration services	513,020	487,501	466,970	478,047
Operation and maintenance of plant services	419,060	457,882	394,744	343,117
Transportation services	216,290	185,782	239,801	190,876
Other expenditures:				
Facilities acquisition	461,344	178,013	3,662	43,585
Long-term debt:				
Principal	-	-	-	7,652
Interest and fiscal charges	-	-	-	346
AEA flowthrough	168,638	164,835	154,091	156,856
Total expenditures	<u>\$ 5,379,375</u>	<u>\$ 4,941,760</u>	<u>\$ 4,658,242</u>	<u>\$ 4,420,418</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Education of  
New London Community School District:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of New London Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 10, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered New London Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New London Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of New London Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects New London Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of New London Community School District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by New London Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-07 and I-B-07 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New London Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about New London Community School District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

New London Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit New London Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of New London Community School District and other parties to whom New London Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of New London Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
December 10, 2007

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2007

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Significant Deficiencies:

I-A-07 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one individual handles most of the duties involved in the receipts, disbursements and payroll functions.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will investigate alternatives and implement where possible.

Conclusion – Response accepted.

I-B-07 Financial Reporting – During the audit, we identified material amounts of payables not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all payables are identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any payables.

Conclusion – Response accepted.

# NEW LONDON COMMUNITY SCHOOL DISTRICT

## SCHEDULE OF FINDINGS

Year Ended June 30, 2007

### Part II: Other Findings Related to Statutory Reporting:

- II-A-07     Certified Budget – Expenditures for the year ended June 30, 2007, exceeded the amounts budgeted in the instruction and support services functions.
- Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- Response – We will amend our budget before expenditures exceed the budget.
- Conclusion – Response accepted.
- II-B-07     Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-C-07     Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-07     Business Transactions – No business transactions between the District and District officials or employees were noted.
- II-E-07     Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-07     Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-07     Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-07     Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- II-I-07     Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

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